



PUBLIC UTILITIES COMMISSION

May 10, 1994

CAD BULLETIN #94-2

TO: ALL UTILITIES
FM: BARBARA R. ALEXANDER, DIRECTOR, *BR Alexander*
RE: BI-MONTHLY ESTIMATED BILLS

Several electric utilities have recently contacted the CAD to inquire whether the use of bi-monthly estimated bills conflicts with any provision of Chapter 81 of the Commission's rules (Residential Utility Service Standards for Credit and Collection Programs). The proposed billing program will result in the issuance of monthly bills, but on alternate months the bill will be based on estimated usage followed by an actual reading the following month. The utilities intend to implement this change to their billing programs for all residential (including Time of Use) and small-medium commercial customers. In each case an algorithm has been developed and tested to assure a high degree of accuracy in the development of an individual customer's estimated usage. The algorithm takes into account the specific customer's prior usage, change in prices and seasonal/weather factors.

Several additional issues that have arisen in discussions of these proposed programs. We offer the following guidance for these issues:

1. Chapter 81, Section 3 contemplates the use of estimated bills and authorizes a utility to issue them, with the proviso that if a utility issues two consecutive estimated bills, the customer must be given the option of reading their own meter and reporting the actual usage. The description of the specific instances authorizing an estimated bill in Section 3(B)(1) allows a utility to issue an estimated bill in those specific instances whether or not the utility has a specific program for estimated bills. Each utility should carefully check its own tariffs, however, to determine if utility-specific restrictions exist on the issuance of estimated bills.
2. Chapter 81, Section 8(A)(3) specifically prohibits the issuance of a disconnection notice based on an amount owed from estimated bills. The utilities in question desire to issue a notice to a customer who has been issued an estimated bill after the other requirements of Chapter 81 concerning the timing of the notice, and response to inquiries, desire for payment arrangement or dispute have been met. Discussion of this

issue with the utilities in question have resulted in the design of a program that complies with the provisions of Chapter 81. Specifically, each utility will only issue a disconnection notice after it issues the next bill based on an actual reading. This means that the customer has received the bill based on the estimated read, failed to respond to dispute the bill, and the utility has confirmed that usage by virtue of the following month's bill based on an actual reading.

Additional safeguards have been proposed and must be included in any utility's bi-monthly meter reading program to comply with the intent of Section 8 of Chapter 81:

+If the actual meter reading is less than the estimated reading, the estimated bill will be cancelled and no notice will be issued.

+A customer contact with the utility to question the amount of the estimated bill or to demand an actual reading will be treated as a dispute under Section 13 and no notice will be issued unless the customer agrees or identifies an undisputed amount, in which case only the undisputed amount will be subject to a notice.

+If the actual reading suggests that the previous estimated read was not an accurate reflection of the customer's usage, the utility should not issue a disconnection notice. Each utility may devise separate parameters to make this judgment. One utility has proposed that the actual reading must show that the estimate was accurate to within 100 kwh; another has proposed to halt credit action if the estimated bill is more than a certain percentage (i.e., 150%) of the following month's bill based on an actual reading. Either approach seems satisfactory. Both seek to assure that the issuance of the disconnection notice for the previously billed estimated amount is accurate based on a comparison of the estimated amount with the subsequently generated actual reading. In no case will a disconnection notice be issued until an actual reading has occurred and been compared to the prior estimated bill.

3. Late fees may be assessed on unpaid estimated bills in accordance with CAD Bulletin 92-5 (October 5, 1992). A utility must recalculate and rebill late fees if the actual reading is less than the prior month's estimated bill. Also, a customer's dispute of any portion of an estimated bill must halt the assessment of late fees on that disputed portion.

4. Utilities are also reminded that bills based on an estimated reading must conspicuously disclose that the usage is estimated. Chapter 81, Section 3 (F)(1)(i).

This is an informal Staff interpretation. A utility has the right to seek a more formal Advisory Ruling from the Commission pursuant to Chapter 110 of the Commission's rules.